

From the District of Chapman Beach Board of Directors, to our valued members:

We are writing to you today as promised, to keep you up to date and informed of the interactions of our delegation's meeting with Cedar Crest. To date, we have met with Cedar Crest twice. Our first meeting was an exploratory session where Cedar Crest declared and discussed their priority issues. Their primary issue is their resale property values and their secondary issue is the repair/maintenance of the Jetties (or rather Jetty E, directly connected to Mr. Shatz property).

DISTRICT OF CHAPMAN BEACH BOD met and discussed what we believe was the only resolution. It was also discussed with our attorney.

DISTRICT OF CHAPMAN BEACH BOD returned to the table with Cedar Crest on 9/16/25. We proposed that the only way forward was for Cedar Crest to join DISTRICT OF CHAPMAN BEACH (pending our member vote) with equitable compensation, and all members' annual taxes calculated at the mill rate. Our proposal was refused and Cedar Crest once again stated they would bring litigation and that we would be served this week.

Our desire as your Board of Directors is to be transparent and to be diligent in representing the best interests of all our members.

Please find below the Cedar Crest proposal (*in italics*) and the reasons/explanations of your Board of Directors (in red) as to why the DISTRICT OF CHAPMAN BEACH Board rejected their proposals and brought our own.

Cedar Crest Proposal - September 16, 2025

*On behalf of Cedar Crest (*CC"), we submit the following proposal in the spirit of resolving potential litigation between our parties and instead working toward a constructive, mutually beneficial solution. Our goal is to address the outstanding issues of rights and obligations in a fair manner and create a framework that builds trust and long-term cooperation.*

1. Rights to Beaches, Jetties, Roads and Rights of Way Within Cedar Crest Area - *Must Be Fully Resolved Now*

- *District of Chapman Beach must acknowledge that Cedar Crest has full rights to use the beaches in front of Cedar Crest for all recreational purposes. District of Chapman Beach must acknowledge that Cedar Crest owners have rights to repair and maintain (at our expense) all jetties within Cedar Crest, to protect our seawalls and properties.*

• *District of Chapman Beach must acknowledge that Cedar Crest owners have rights to use all roads and rights of way*

No. Only with the privilege of membership in the DISTRICT OF CHAPMAN BEACH. DISTRICT OF CHAPMAN BEACH owns the jetties and they are defined as permanent fixtures and cannot be moved without destruction. They are on the property owned by DISTRICT OF CHAPMAN BEACH. The roads are defined as "prescriptive right of ways" because the property owners

must use them to access their property. The rights of way are designated as the paths to “pass and repass”, which is stated in the Cedar Crest deeds.

An agreement would be filed in the tax records making clear the rights. The “rights” are only with the privilege of membership.

Cedar Crest is prepared to pay the greater of:

- a) Expenditures by District of Chapman Beach that benefited Cedar Crest areas since 1999; or
- b) The \$75,000 previously offered in settlement for use of these rights. **Cedar Crest previously (September 2024) proposed to buy beach rights for a total of \$75k. They further proposed buying the beach in front of Cedar Crest properties for \$125k. The Board discussed and rejected this amount outright stating that the beach and beach rights are NOT FOR SALE.**

2. Trial Period Chapman Beach "Membership" or "Use"

Cedar Crest members will not join District of Chapman Beach unless and until there is some trust developed. Recognizing that integration will take time and trust-building, Cedar Crest proposes a voluntary annual membership or use (perhaps a "beach pass"), at a rate determined by District of Chapman Beach, that would allow any Cedar Crest owner choosing to participate to partake in all District of Chapman Beach events (but not vote at meetings). **DISTRICT OF CHAPMAN BEACH Board discussed the topic of beach passes with our attorney. Due to the fact that we are a tax district and not a country club or beach club, this is not even an option. Further, this does nothing to resolve their primary or secondary issues.**

We suggest the following for consideration:

- For this initial trial period, the annual fee per Cedar Crest household could be calculated as District of Chapman Beach's budget ÷ number of households (including some or all of Cedar Crest)
- This structure allows District of Chapman Beach to secure additional revenue with little to no additional expense or wear-and-tear on the beach.
- Over time, this arrangement can build goodwill and momentum, potentially leading to:
 - a) A unified membership structure, and
 - b) The possibility of returning to a single tax district with a flat tax, if legally and practically feasible. **The Flat tax was discussed many times both currently and previously. The Board has continuously rejected this because 73% of our members would end up paying a greater amount than they do currently. Further, going to a “flat tax” would benefit only Cedar Crest in that they would reduce their tax burden from 25% to 15% of the combined Grand List. it would also mean changing our tax district to a Special tax district--costing us additional legal fees.**

3. How This Benefits District of Chapman Beach Members

This proposal can be presented to District of Chapman Beach members as a clear win-win arrangement:

Lower Average Costs for District of Chapman Beach members under any scenario

- Assuming District of Chapman Beach's average annual budget is \$30,000 (excluding extraordinary legal costs) and District of Chapman Beach has 100 members, the average cost is \$300 per member. **These numbers are inaccurate as Mr. Shatz is well aware, Our annual budget is \$43,600. Please see above notes.**

- For example, with 116 total members (adding CC households), the cost per member drops to about \$260, immediately benefitting District of Chapman Beach members. **Inaccurate information as stated above**

Even lower average costs for District of Chapman Beach members due to C payment of jetty repairs

For example, if repair of Jetty E costs \$75,000, even assuming that cost is spread over 5 years, payment of that cost by District of Chapman Beach would increase District of Chapman Beach's annual budget to \$45,000 (a 50% increase), raising the per-member cost from \$260 (assuming added C members) to about \$390.

- If Cedar Crest owners assume responsibility for the cost of repairing Jetty E, DISTRICT OF CHAPMAN BEACH members' average cost would remain about \$260, avoiding a 50% average increase

Additional Considerations

Jetty costs are typically borne in a single year, not spread evenly.

Other jetty repairs (Jetties C and D) will likely be needed in the future.

- On a tax base comparison, Cedar Crest's aggregate property values (~9 million) are roughly one-third of District of Chapman Beach's (~\$27 million). Adding Cedar Crest's tax base would reduce District of Chapman Beach's mill rate from 1.1 mills to 0.83 mills, without covering Jetty E. If C also covered Jetty E, the mill rate would otherwise rise to 1.2 mills. **None of these numbers are accurate and all of this is public record. (\$9 mil is actually 25% of the combined Grand List of \$38 mil)**

This structure provides a direct financial benefit to District of Chapman Beach members while ensuring fairness to both districts and avoids substantial litigation costs

4. Permanent Membership Consideration. Trial membership is not an option as stated above as we are not a Beach Club

Should all or some Cedar Crest residents seek to become permanent District of Chapman Beach members following the trial period, we recognize they might be responsible for additional payments. District of Chapman Beach has incurred certain capital expenses over the past 25 years that benefit the district as an entity, such as the repair of the Big Rock Jetty. Some system for payment of a portion of those capital expenses would be appropriate, with details to be negotiated following the period of temporary use that will, hopefully, build relationships and trust.

This proposal is subject to approval by the Members of Cedar Crest